

THE PROFIT MOTIVE AND CO-OPERATIVES

1. Any business, whether co-operative or not, needs to generate sufficient income to cover all costs and establish an adequate capital base to meet down-turns in sales, growth and expansion requirements. The income generated depends on the mark-up on goods - ensuring that the mark-up covers immediate and anticipated costs.
2. A traditional business describes income above and beyond costs as profit whereas a co-operative describes this income as surplus. What, then, is the difference between a profit and a surplus?
 - 2.1 A profit has been defined as an excess of receipts or returns over outlay. (1)
 - 2.2 A surplus has been defined as an excess beyond what is used or required and the balance in hand after all liabilities are paid. (2)
3. These definitions reveal that both "profit" and "surplus" are different words for describing the same "excess". The real difference lies in the differing conceptual basis of the words "profit" and "surplus".
4. The profit motive has been defined as the incentive of private profit for the production and distribution of goods. (3)
5. A critical difference between a co-operative and a company lies in the function and treatment of capital and, therefore, the role of excess - the profit or surplus. (4)

¹
The Concise English Dictionary, Omega, 1982, p 908

²
Ibid, p 1137

³
Ibid, p 908

⁴
Ministerial Advisory Committee on Co-operation, Information Paper: The Development of the Co-operative Movement in Victoria, June 1984, p 10.

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6. For a co-operative the surplus is incidental to the purpose of the co-operative. This is not to say that a co-operative does not seek to cover its costs but rather its objective is not to maximise the individual financial return to its members/shareholders.
7. When there is a financial return to its individual members it is quite limited. This is the case with worker co-operatives in N.S.W. and Mondragon, Spain. Most worker co-operatives in Victoria, the U.K. and Italy do not distribute surplus to individual members.
8. Jerry Voorhis has argued that "a co-operative enterprise is one whose purpose is to provide its customers and users of its services with goods or services which they need at the lowest economically practicable net cost and in the form and quality those customers desire." (5)
9. Jim Asker has argued that the surplus is more than a pedantic differentiation from profit: "It reflects an economic difference in the way in which it is accounted for. In a private or public company, the surplus, which is the amount of value extracted from labor over and above the amount needed to cover the costs of production, is transformed into the profit for the owner or owners of the enterprise. In a co-operative enterprise, the surplus is not transformed into profit on capital. It remains the surplus of labor, at the disposal of the enterprise." (6) The argument, then, is applicable to a worker co-operative where labor owns and controls the enterprise. It is not so applicable, however, to a consumer co-operative where the members extract value from labor.
10. Co-operative ownership and control, then, is significantly different to private enterprise ownership and control. In worker co-operatives in particular capital is socially owned and controlled. This contrasts with individual ownership and control of private enterprises. A majority of members control a co-operative. A majority of shares control private enterprise. Who, then, would persist in arguing that there is no significant difference between "profit" and "surplus"?

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Voorhis, Jerry Co-operative Enterprise: The Little People's Chance in a World of Bigness, The Interstate Printers and Publishers Inc., 1975 p 15

6

Asker, Jim "What is a Co-op?" in The Co-operator, 15 August 1984, No 1, p 15

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11. These differences provide for co-operatives a distinct set of problems. A co-operative enterprise is not a private enterprise and through competing in the marketplace challenges the assumption that private enterprises are the most efficient and equitable method for allocating resources and producing goods and services. This challenge is sometimes met by either attributing or imposing private enterprise values onto co-operatives - at times assisted by sectors of the co-operative movement. It is simplistically asserted, for instance, that co-operatives and other forms of business share the profit motive.
12. Nonetheless, the surplus motive is not necessarily capable of an easy philosophical and practical reconciliation: How does excess income become a surplus rather than a profit? When is surplus a means rather than an objective? What are the business consequences of a surplus motive in a capitalist economy? What are the practical differences between a surplus and a profit? (7)

David Griffiths,
15 April 1985.

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For a discussion of profit under capitalism and socialism:

Wilczynski, J The Economics of Socialism, George Allen and Unwin, 1982, pp 37-41.

See also :

Tawney, R.H. The Acquisitive Society, Fontana, 1961. First published 1921. pp 125, 172 and 178.

ROBERT OWEN AND PROFITS

Robert Owen (1771-1858) opposed the system of competition and supported its replacement by co-operation. On the system of competition Owen commented:

The acquisition of wealth, and the desire which it naturally creates for a continued increase, have introduced a fondness for essentially injurious luxuries among a numerous class of individuals who formerly never thought of them, and they have also generated a disposition which strongly impels its possessors to sacrifice the best feelings of human nature to this love of accumulation. 1

He wanted to destroy:

... the immoral and degrading system of buying cheap and selling for a money profit. 2

Having abolished the system of private profit, there would be a community of interest:

It is found that when men work 'together for a common interest, each performs his part more advantageously for himself and for society, than when employed for others at daily wages, or than when working by the piece. 3

Owen believed in the establishment and development of working class enterprises without employers - cooperative communities and worker cooperatives.

¹ Owen, Robert A New View of Society and Other Writings, J.M. Dent and Sons Ltd, 1927 p121

²
Quoted but not referenced by

Carr-Saunders, A.M. Sargant Florence, P Pers, Robert Consumers' Co-operation in Great Britain: An Examination of the British Co-operative Movement, George Allen and Unwin Ltd, June 1938, p 27

³
Owen, Robert Op Cit, p 177

The following list indicates the community and worker(producer) co-operative influence of Owen:

- 1824 London Co-operative Society formed
- 1825 New Harmony, Indiana.
Wanborough, Illinois.
- 1826 Blue Springs, Indiana.
Kendal, Ohio.
Haverstraw, New York.
- 1829 More than 300 co-operative societies
in U.K.
- 1830 London Co-operative Society establishes
Exchange Bazaar
- 1831 First National Co-operative Congress.
- 1832 National Equitable Labour Exchange
established.

More than 500 co-operative societies
in U.K.
- 1833 Operative Builders Union adopts Owenite
program of establishing national guild.

Grand National Consolidated Trades Union
established.

Most of these, however, only survived a few years.